

TAX CREDITS

Subchapter 2

SENATE TAXATION

EXHIBIT NO. 2 42.4.202

DATE 3-13-07

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Individual - Energy Conservation Installation Credit

42.4.201 DEFINITIONS The following definitions apply to this subchapter:

- (1) "AFUE" means annual fuel utilization efficiency rating for furnaces and boilers expressed as the ratio of energy output to energy input.
- (2) "Building" means an enclosed structure with external walls and a roof. This includes single units within multi-unit complexes such as apartment complexes, condominiums and commercial complexes.
- (3) "Customer" is defined as a retail purchaser or distribution service provider.
- (4) "Energy factor" is the efficiency rating for water heaters. A higher percentage indicates higher efficiency.
- (5) "ENERGY STAR" is a program of the U.S. Environmental Protection Agency, which identifies high efficiency products and equipment.
- (6) "GAMA" means Gas Appliance Manufacturers Association, which is an independent agency for rating space and water heating devices.
- (7) "Heat recovery ventilator" is a device or system designed and installed to provide balanced fresh air ventilation for homes and to transfer energy from the outgoing air stream to the incoming air stream.
- (8) "HSPF" means heating season performance factor, which is a measure of the heating efficiency of a heat pump system expressed as a ratio of Btu per watt-hour.
- (9) "HVI" means Home Ventilating Institute, which is a rating agency for home ventilation products.
- (10) "IECC" means the 2003 International Energy Conservation Code, which is the current energy code version adopted by the state of Montana and enforced statewide.
- (11) "National Fenestration Rating Council" (NFRC) means the independent agency that rates windows, doors and skylights.
- (12) "New construction" means construction of, or additions to, buildings, living areas, or attached garages that comply with the established standards of new construction as determined by the building code statutes in Title 50, MCA. (History: 15-1-201, 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 2004 MAR p. 1965, Eff. 8/20/04; AMD, 2006 MAR p. 357, Eff. 2/10/06.)

42.4.202 INDIVIDUAL INCOME TAX CREDIT FOR ENERGY CONSERVING EXPENDITURES (1) A credit against individual income tax for energy-conserving expenditures provided in 15-32-109, MCA, is claimed by filing an Individual Income Tax Return Form 2 with Form ENRG-C. The credit is not allowed unless the return and form ENRG-C, providing the information prescribed in the form, are filed with the Department of Revenue, P.O. Box 5805, Helena, Montana 59604-5805. (History: 15-1-201, MCA; IMP, 15-32-109, MCA; NEW, 2004 MAR p. 1965, Eff. 8/20/04.)

42.4.203 CREDIT FOR ENERGY CONSERVATION INVESTMENT

(1) Eligible investments for the energy conservation credit in new construction are the investments that exceed the requirements of the IECC with Montana amendments as described in ARM 42.4.206. An example of a correct application is:

(a) Example, if a taxpayer installs an ENERGY STAR qualified furnace in a new construction project, the incremental cost of equipment and installation costs above a conventional furnace required by code qualifies for the energy conservation credit.

(2) For investments in existing buildings, a credit will be given for capital investments that are recognized to substantially reduce the waste or dissipation of energy, or reduce the amount of energy required for proper utilization of the building.

(3) A credit will not be allowed for capital investments that are directly used in a production or manufacturing processor rendering a service to customers.

(4) Only investments in buildings located in Montana qualify for the energy conservation credit.

(5) See ARM 42.4.118 for filing requirements. (History: 15-32-105, MCA; IMP, 15-32-105, 15-32-109, MCA; NEW, 1977 MAR p. 971, Eff. 11/26/77; AMD, 1982 MAR p. 10, Eff. 1/15/82; AMD, 1992 MAR p. 2555, Eff. 11/26/92; AMD and TRANS, from ARM 42.15.431, 2002 MAR p. 3705, Eff. 12/27/02; TRANS, from ARM 42.4.130, 2004 MAR p. 1965, Eff. 8/20/04; AMD, 2006 MAR p. 357, Eff. 2/10/06.)

42.4.204 DETERMINATION OF CAPITAL INVESTMENT FOR ENERGY CONSERVATION (1) The following capital investments are among those that can result in the conservation of energy:

(a) insulation in existing buildings of floors, walls, ceilings, and roofs;

(b) insulation in new construction of floors, walls, ceilings, and roofs, to the extent it exceeds the requirements of the IECC with Montana amendments;

(c) insulation of pipes and ducts located in non-heated areas and of hot-water heaters and tanks;

(d) special insulating siding with a certified insulating factor substantially in excess of that of normal siding;

(e) windows that result in reduction of energy consumption;

(f) storm doors;

(g) insulated exterior doors;

(h) caulking and weather stripping;

(i) devices which limit the flow of hot-water from shower heads and lavatories;

(j) waste heat recovery devices;

(k) glass fireplace doors;

(l) exhaust fans used to reduce air conditioning requirements;

(m) replacement of incandescent light fixtures with light fixtures of a more efficient type such as those with electronic ballast and compact or linear fluorescent lamps;